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FACT SHEET

Honduras and Millennium Challenge Corporation: Building a Partnership for Poverty Reduction through Growth

Millennium Challenge Corporation's (MCC) Board of Directors approved a five-year \$215 million Compact with the Government of Honduras.

Sixty-four percent of Hondurans live in poverty. The Millennium Challenge Compact with Honduras aims to reduce poverty and promote growth by increasing the productivity and business skills of farmers who operate small and medium-size farms and by reducing transportation costs between production centers and national, regional and global markets. To accomplish these two objectives, the \$215 million Compact will invest in a Rural Development Project and a Transportation Project. The goal of the Compact is to increase Honduras' annual income by an estimated \$69 million by the end of the Compact. The Government of Honduras identified priorities for the Compact from their national Poverty Reduction Strategy and engaged a broad range of citizens in designing the program.

The Rural Development Project

Despite Honduras' comparative advantage in horticultural products such as cucumbers, peppers, and tomatoes, Honduran farmers predominantly grow basic grains because horticultural crops require more sophisticated techniques and infrastructure for both their production and marketing. Additionally, lack of access to credit makes it more difficult for farmers to obtain the money required to produce these products and poor transportation infrastructure increases the costs of getting these products to market. The \$72.2 million rural development project will improve the lives of the rural poor by providing Honduran farmers with the skills needed to grow and market horticultural crops. This will result in higher incomes for the farmers, their employees, and their communities.

The Transportation Project

Hondurans identified high transportation costs as a significant impediment to economic growth, particularly for agriculture and light manufacturing. The \$125.7 million transportation project is targeted at improving the CA-5 Norte Highway that links the Atlantic port of Puerto Cortes to Pacific ports and major production centers in Honduras, El Salvador and Nicaragua. Additionally, updating main highways, key secondary, and small rural roads will enable farmers and other businesses to get their products to market more efficiently, rural Hondurans to get to work and access social services, and children to get to school.

The Compact also includes \$17 million for program management, oversight, monitoring and evaluation. Following MCC Board approval, there is a fifteen day Congressional notification period. MCC and the Government of Honduras anticipate signing the Compact in early June.

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